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The Kurdistan Regional Government (KRG) is facing an economic and humanitarian crisis as a result of the influx of Syrian refugees (starting in early 2012) and more recently the Internally Displaced Persons (IDP) in 2014. According to a newly completed KRG - World Bank report, economic growth contracted 5 percentage points in the Kurdistan Region of Iraq (KRI), and poverty rate more than double increasing from 3.5 percent to 8.1 percent.
The report, Economic and Social Impact Assessment of the Syrian Conflict and ISIS Crisis, provides national and regional policy makers with a technical assessment of the impact and stabilization costs needed for 2015, associated with the influx of refugees and IDPs. The stabilization cost for 2015 is estimated at US\$1.4 billion in additional spending above and beyond the KRG budget. This estimate could get much higher depending on how long the crisis persists. While the KRG has been responsive to addressing the needs of the displaced population up till now, more resources are needed to avert this humanitarian crisis and address the needs of the displaced population in the medium and long-term. Impact refers to the immediate economic and fiscal effects on the KRG economy and budget, while stabilization cost refers to the additional spending that would be needed to restore the welfare of residents of the KRI.
The international community remains deeply concerned by the circumstances facing the refugees and IDPs in the KRI," said Robert Bou Jaoude, World Bank Special Representative for Iraq. "We hope that this assessment will support the KRGs dialogue with its national and international counterparts and that a swift resolution to this problem will be identified."
The study highlights how prices and unemployment have increased, and refugees and IDPs entering the labor market are pushing wages down. A surge in violence led to supply side shocks. The ISIS crisis has had a significant effect on trade of goods and services. Transportation routes were disrupted. Foreign direct investment flows have declined and operations of foreign enterprises have been adversely affected. Disruption of public investment projects have had a negative impact on the economy.
"As a result of the Syrian conflict and the ISIS crisis, KRIs population increased by 28 percent placing strains on the local economy, host community, and access to public services. We accepted and treated them as our own by providing access to all public services in our region," said Dr. Ali Sindi, KRG Minister of Planning. "While our government has allocated significant resources-through the Immediate Response Plan-to accommodate the needs of the displaced population, it cannot address this big scale humanitarian crisis on its own. Greater support from the national and international partners will be needed to rise above this humanitarian crisis and meet the needs of the displaced."
The report is an outcome of close collaboration between a wide spectrum of World Bank experts and regional government institutions and international partners. "A national and international response is needed in the immediate future and in the medium-term there is a need for structural reforms," said Sibel Kulaksiz, World Bank Senior Economist and Project Leader. "The authorities have already recognized the need for economic reforms and the diversification of the economy. Indeed, one of the main pillars of the KRG Vision is the development of a diversified economy driven by the private sector."
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